

OUTLOOK 2004

Clark County, Ohio

December 2003

Local Economy Hobbling Along

Still A Jobless Recovery

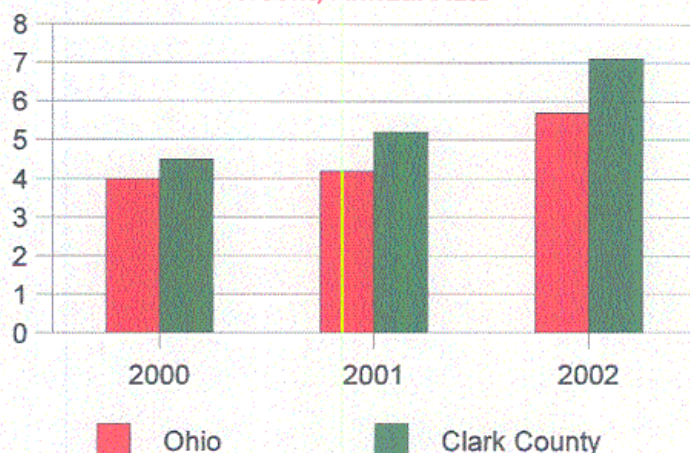
Many analysts have spoken of a "jobless recovery" and that phrase aptly describes local conditions. Labor markets are stagnant in Clark County, with low amounts of hiring accompanied by a decrease in layoffs from last year's levels. It is an employers' market with available employees exceeding the number of attainable jobs. Employers are also able to be more selective in hiring, raising their expectations about employee qualifications.

More companies are outsourcing, many in an attempt to deal with rapidly increasing benefits costs. On the employee side, local experts report that workers are willing to commute longer distances. A large number of local employees travel outside the county to work. Temporary worker hiring, typically a leading indicator of economic expansion, has not yet picked up locally. One thousand new jobs at the Target distribution center help offset losses in other areas. The upward pressure on wages resulting from these new jobs will also spill over to other sectors of the local economy. Health care employment continues to grow.

The forecast of the local economy is published annually by the Clark County Economic Research Roundtable. The report provides information pertinent to the Springfield-Clark County area and is available to all interested parties. To receive a copy of Outlook 2004, email George Soddors at auditor@co.clark.oh.us or call 937-328-2423.

Unemployment Rate

Percent, Annual Rate



Source: Ohio Labor Market Information

Financial Sector

Interest rates remain very low, a mixed blessing for local financial institutions and county government. Asset quality is good, delinquency rates are stable, and no significant increase in foreclosures and bankruptcies are expected for the coming year.

Interest Rates

	2002	2003	2004
3-Month Treas. Bills	1.60	1.0	1.7
10-Year Treas. Notes	4.61	3.99	4.74
Prime Rate	4.67	4.12	4.36

Source: Congressional Budget Office

Manufacturing Sector

The reduction in employment at International Truck and Engine Corporation from a recent high of nearly 6,000 workers to the current baseline of about 1,500 will continue to have an impact on the local economy. The International plant is now operating at about 25% capacity with 1,130 Local 402 members working and 1,205 on layoff. However, the fact that a large amount of pension income received by International workers will remain in the local economy, softens the effect on local economic activity. A major retirement deadline is approaching at the plant, with a potentially large number of workers currently employed or on layoff affected. New contracts are being aggressively pursued so that plant capacity can be more effectively utilized.

Teikuro is hiring employees in preparation for an expected increase in demand for chrome plated dies. Coilplus reports "a very reasonable year" with steady employment. Some temporary employees have become permanent additions to the workforce.

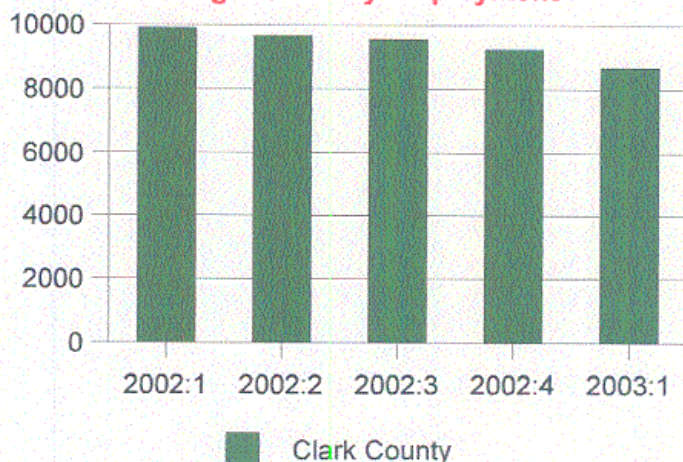
Housing / Real Estate Sector

The market in real estate is definitely a buyer's market. Local real estate experts report prices lower than six months ago, with only 3-4% cumulative appreciation expected in the next five years. More sellers are reported to be bringing money to real estate closings, a sure sign of slackness in local markets. The average time on the market is 110 days for the county. In a more normal market, the figure is less than 90 days.

The market for homes priced above \$175,000 is stagnant, with the average multiple listing service transactions currently around \$110,000. There is almost no inventory of homes priced above \$300,000, a concern for those interested in attracting higher paying jobs to the area. The large amount of mortgage refinancing activity in the last year may suggest slow sales in the future. Should interest rates rise significantly in the future, homeowners could be reluctant to "trade up" and assume higher interest rates. School quality remains an issue, with some outsiders turned away by internet market research.

Manufacturing Employment

Average Quarterly Employment



Source: Ohio Labor Market Information

Agricultural Sector

While 2002 was a very bad year, 2003 has been exceptionally good for area producers. Livestock headcount numbers are at exceedingly high levels for both hogs and cattle, with cattle prices also at record levels. Abundant rain accompanied by cool weather in the East and a drought in the Western corn belt has soybean yields here a little above average but prices 35% above last year's offerings. Corn yields for local producers have been outstanding.

World corn stocks are currently low, good news for Clark County farmers. The closing of the Canadian border this year was as good for area producers as droughts were bad in 2002. Feedlots are full and expected to expand next year. This will lift corn demand and corn prices in 2004. New specialty products continue to appear in Clark County, with nursery business up. Demand for residential housing in semi-rural areas has also lifted demand for agricultural land, pushing prices up.

Clark County Agriculture

Land in farms (acres)	187,000
Number of farms	790
Average size (acres)	237
Total cash receipts	\$66,002,000
Cash receipts per farm	\$83,546

Source: Ohio Department of Development

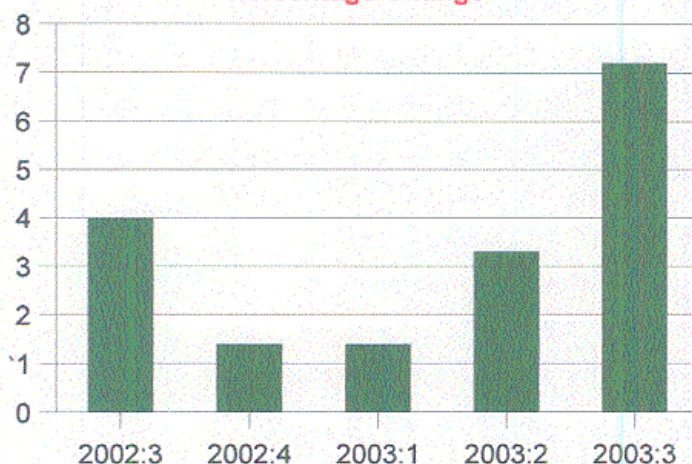
Wholesale / Retail Trade

Led by consumption, equipment and software spending and net exports, the phenomenal growth in GDP at 7.2% during the third quarter is good news for the wholesale and retail sectors. Personal consumption expenditures rose 6.6%, while fixed investment jumped 14% and exports climbed 9.3%. Every sector either produced good news for the quarter or for the future.

Both residential and nonresidential investment rose at a double-digit pace. Inventories have fallen during the year, signaling a boost in production sometime next year.

Real Gross Domestic Product

Percentage Change



Source: Bureau of Economic Analysis

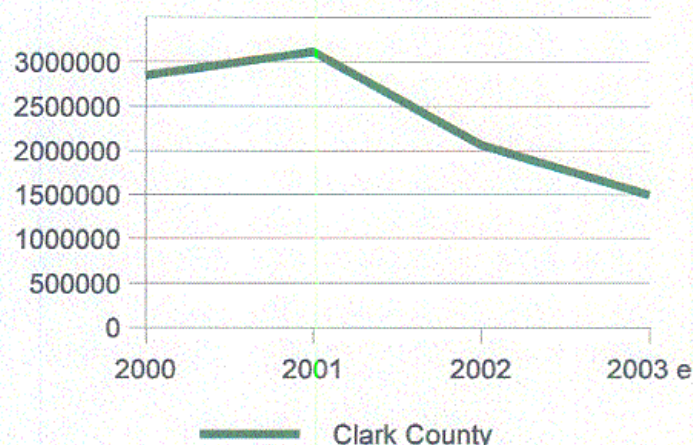
Local Government

County and city governments are suffering from the recent downturn in employment and economic activity.

Again, loss of employment at International has lowered income tax receipts for the city. Building permit activity is down from high levels in previous years, also cutting local government revenues. Lower interest rates have dropped investment income, especially in the county. While sales tax revenue remains flat, the county expects an increase in 2004 due to expansion in the tax base.

Investment Earnings

General Fund



e: estimate

Source: Clark County Auditor

Emerging Issues

The recent news that Lexis-Nexis would locate in Clark County illustrates the necessity of continuing our economic development efforts. But the success in the Lexis-Nexis example also shows how much must be done to improve our site availability, our culture and to be willing to offer incentives to those firms making location decisions.

Congress will continue to examine military base closings and realignment issues through 2006. Local experts are unsure whether this will lead to a net gain or a loss in employment and income for our county.

Roundtable participants expect growth in the eastern part of Clark County. The North Bechtle street node is reaching its capacity and the next hot spot for economic development is the East Main corridor.

U.S. Macro Forecast

Percent Annual Rate

	2002	2003	2004
Real GDP	2.4	2.7	3.9
Consumption	3.1	3.1	3.6
Fixed Investment	-3.1	3.4	6.9
Exports	-1.6	0.8	6.7
Imports	3.7	4.4	7.1
Gov't. Expenditures and Investment	4.4	2.8	1.4
Unemployment Rate	5.8	6.1	6.3
Consumer Price Index	1.6	2.2	1.0

Source: The Conference Board

Summary

About 2/3 of the Roundtable membership are "cautiously optimistic" about 2004, with the other 1/3 "neutral." Significantly, no member was pessimistic about the coming year.

Clark County Economic Research Roundtable Participants

Jeff Ankrom, Wittenberg University
Charlie Bush, UAW Local 402
William Fralick, Security National Bank
Tom Fanzen, Springfield City
Peter Hackett, Clark, Schaefer, Hackett
Michael Haubner, Agricultural Agent
Larry Hill, Express Personnel
Mike Houseman, Teikuro
W. Darrell Howard, Clark County
James Lagos, Attorney
James Roediger, Roediger Realty
George Soddors, Clark County
William Swaim, Springfield News-Sun
J.C. Wallace, Chamber of Commerce
Robert Warren, Hauck Bros. Heating

Questions or comments regarding Outlook 2004 should be addressed to the editor, George Soddors, Clark County Auditor, 31 N. Limestone St., Springfield, OH. 45502.